

Informant Told of Soviet Wheat Sale

By Nick Kolz

Washington Post Staff Writer

A remarkable "spy" story reveals that an immensely well-informed man repeatedly and persistently tried for almost a month last summer to get the word out to the American public about the huge sale of wheat to the Soviet Union.

The informant, whose identity is still a mystery, knew exactly how much wheat the Russians had bought. Beyond that, he provided detailed accounts of the movements of the Russian grain buyers in the United States. He knew which grain company officials they spoke with and the Soviets' impressions of the various traders.

The informant was reporting all this at a time that the United States government claims it was unaware of the scale of the Soviet wheat purchases.

The informant or spy provided his information in a steady stream of telephone calls to Morton Sosland, editor of the *Milling and Baking News*, a Kansas City, Mo., publication that is followed closely by everyone in the wheat business. The informant first claimed to be employed by the *London Financial Times*, but, it later turned out, also was acting as a tipster to the *Times*.

Sosland described his telephone conversations with Mr. X in a recent issue of his trade publication. The in-

formant's identity and his motives can be accounted for by any number of theories. The Central Intelligence Agency and Federal Bureau of Investigation both have questioned Sosland about his source of information.

Rep. Roman C. Pucinski (D-Ill.), for one, says the calls probably were placed by an Agriculture Department employee who had access to CIA reports on the grain situation in the Soviet Union. Pucinski told the Associated Press that the CIA furnished the department with a detailed account of Soviet crop failures that led to the giant grain sale. But the department never released the report, Pucinski claimed, citing sources he said were reliable.

Sosland himself thinks the mysterious caller was a Russian, although he had a British accent. The trade publication editor says the man continually addressed him in full as "Mr. Morton Sosland" — a habit much closer to Russian than to English or American speech patterns.

"I could be wrong," Pucinski told United Press International in a telephone interview from Chicago. "But I lean to the belief those calls (to the trade publication) came from an honest, decent, loyal career government employee" trying to prevent grain exporters from earning windfall profits at the expense of growers who didn't know the scale of the Soviet purchase.

Asked what he thought of that theory, UPI reported, Agriculture Secretary Earl L. Butz replied: "You want my comment? My reply is nuts. You want me to amplify that? My amplification is nuts."

Aside from being a good yarn, Sosland's account of his mysterious caller brings

home a number of points about who knew what when in the largest grain sale in history.

Administration statements have maintained, for example, that the agricultural trade press was reporting developments of the wheat sale at an early date. In fact, however, the trade press wouldn't have reported anything about the sale if Sosland hadn't finally started placing some credence in his caller's information.

Sosland, along with other reporters, had relied on repeated Nixon administration statements that the Soviets planned to use credit from their July 8 agreement to buy feed grains, not wheat.

In fact, the Soviets bought 287 million bushels of wheat on July 5, 10, and 11. The called accurately informed Sosland of this purchase on July 17. Sosland checked his sources in the grain trade who vigorously denied knowledge of such sales. He spoke to the companies which made the sales—including Continental Grain Co., which alone sold 185 million bushels.

Sosland printed on July 18 a "guess" that the Soviets might have bought 100 million bushels, about one-third of the actual purchases by that date.

Sosland's informer again tipped him off when the Soviets bought more wheat in late July and the first two days in August.

On Aug. 8, Sosland printed what he considers "a big scoop." He said the Russians had bought 400 million bushels of wheat.

His scoop was instrumental in bringing to public attention the scope of the Russian wheat purchase, but it came about a month after the bulk of the purchase had been made.

Pucinski Asserts 'Spy' Used CIA Grain Data

By DON KENDALL
 Associated Press

A Midwest congressman says Central Intelligence Agency reports may have been used by a so-called international grain spy who fed inside tips to a Kansas City trade magazine about huge U.S. wheat sales to the Russians.

Rep. Roman C. Pucinski, D-Ill., told The Associated Press that the CIA earlier this year furnished the Agriculture Department with a detailed account of Soviet crop failures which led to the \$1 billion sale of U.S. wheat and other grain to Moscow.

Further, Pucinski said telephone calls purportedly made from London in July and August to Milling & Baking News, Kansas City, probably were placed by a USDA employee who had access to the CIA information.

The grain sales, including more than 400 million bushels of wheat, or one-fourth of the U.S. crop, have prompted allegations by Sen. George McGovern and others that private American grain companies were able to reap windfall profits because of inside information fed to them by Nixon administration farm officials.

A detailed account of a month-long series of phone calls to Kansas City by the mysterious tipster was published Oct. 3 by the magazine's editor, Morton Sosland.

The caller, at first identifying himself as "Mr. Smith" of the London Financial Times, provided Sosland with details—later proved to be accurate—on the timing and volume of the Soviet wheat purchases.

The calls began July 17, weeks before the public or the

grain industry was fully aware of the size of the Russian sales.

Sosland said his magazine delayed reports based on the calls because the informant's story seemed fantastic, but carried the stories later.

Pucinski, who is campaigning for the Senate seat held by Charles Percy, R-Ill., said he is certain the CIA gave the Agriculture Department a full report on the Russian crop situation, information which Pucinski said the department suppressed.

Discussing the telephone calls described by Sosland, the Illinois congressman said that of the conceivable possibilities it seemed most likely that the information was passed by a USDA employee.

"One of the insiders who had access to this CIA report might have been calling this editor (Sosland) in order to jack up grain prices," Pucinski said. "Obviously, the fact that this information was correct would indicate it could have come only from this CIA report."

There are other possible explanations, Pucinski said.

The caller might have been, as he eventually told Sosland, an international grain spy working out of London; an American grain trader who wanted to leak information to the public; or an agent of the CIA itself.

But the possible motivation for such calls remains a mystery.

Pucinski, however, said he sticks to his theory that the calls were made by an Agriculture Department employee with access to CIA reports.

That theory was disputed by Nathaniel F. Kossack, inspector general of USDA. Kossack told a reporter he had read Sosland's article and thought "it sounded like somebody looking into a crystal ball."

He said he doesn't know whether the FBI or Justice Department is investigating the grain-spy calls to Kansas City.

He said his own agency has not yet decided to investigate the spy.

Meanwhile, the Agriculture Department admits it uses CIA reports — along with other information — in developing analyses of the farm situation in the Soviet Union. Officials deny, however, that reports have been suppressed except where information involves security.

Fletcher Pope Jr., a specialist on Soviet agriculture in the Economic Research Service of USDA, told a reporter he routinely sees CIA reports in formulating estimates about the Soviet Union.

Informed of Sosland's report about the grain-spy telephone calls, Pope at first suggested the initial call — made to Sosland on July 17 — may have involved an educated guess based on information made public about then, indicating Soviet crop output was going to be down sharply this year.

Also, Pope said, President Nixon announced July 8 that a \$750 million credit deal to sell grain to the Soviets had been signed. That called for mostly feed grain, according to the interpretation at the time, with wheat considered secondary.

As it turned out, the Russians by July 8 already had purchased massive quantities of U.S. wheat from private American firms, including Continental Grain Co. of New York City.

It also became apparent later that the Soviets had purchased far more grain than specified in the July 8 agreement announced by Nixon.

After questions over the Soviet-U.S. grain deal began in August, the White House ordered the FBI to investigate whether some private grain companies may have made large windfall profits.

Charges that job-shuttling between USDA and the private grain trade has produced a "cozy" relationship between federal farm officials and the grain industry have been labeled "bald-faced lies" by Agriculture Secretary Earl L. Butz.

Some congressmen say they will insist the CIA question be raised then.

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17 OCT 1972



Tom Braden

Gains From Russian Grain Deal

A CLOSE LOOK at the largest long term purchase in the history of nations suggests that the grain deal with Russia is far more important than the question of whether or not Mr. Clarence Palmby, the Agriculture Department official who tipped off the big grain companies to an impending price rise was guilty of conflict of interest.

"We have many treasures in Russia," said Mr. Brezhnev to our Secretary Peterson, "and we would like to exchange them for things which we need." No promise was implied to tell us what he needed until the last possible moment, which was one reason why some American farmers got gouged on the wheat deal. But we do know that Russia's current five-year plan calls for an enormous increase in meat consumption, which means Brezhnev will be ordering more feed grains, and as tourist Peterson discovered in his survey of Moscow department stores the Russian need for consumer goods can hardly be understated.

THEREFORE the only limit to possibilities for future trade is the extent of the "treasures" which Mr. Brezhnev can export in return. The Russians have platinum; they have wood; they have oil; most important, they have natural gas in which this country is in increasingly short supply.

Here, there is a difficulty because before Brezhnev can export natural gas, he must build a pipe line over vast and frozen country. But American firms, Texas Eastern, Tenneco and El Paso think they can do it and are now negotiating for the job.

Brezhnev wants an enormous and direct loan from the United States government to pay for the pipe line. Peterson has explained that this country doesn't work that way and has suggested the possibility of a mix of government and private financing to handle the project's unprecedented cost. Peterson is cautious about predicting immediate bonanzas. But in the long run what Democrats are now condemning as scandalous may go down in the his-

tory books as one of the Nixon administration's most important achievements.

Was it worth the cost? Peterson counters the argument that American consumers will now pay more for bread and meat by pointing to a \$200 million tax saving in grain storage and subsidy, generally increased income for the farmer as the wheat deal is followed by purchases of corn, increased sales for the mechanical industry which supports the farm, and an improvement in the nation's balance of payments. Also, if future trade materializes, Russia will be buying machinery and consumer goods. We will be buying raw materials. From our standpoint, there will be a net import of jobs.

THE WHEAT purchase proves that the Russians will deal with sharpness. No real estate purchaser with a shopping center in mind ever picked up single lots with more finesse than the Russians picked up U.S. wheat while the Department of Agriculture sat by in su-

pine ignorance. Nearly a billion dollars worth of wheat and feed grains had been snapped up before a bureaucracy accustomed for thirty years to supporting farm prices woke up to the law of supply and demand.

There was also a failure of intelligence. One might suppose that with thousands of Washington experts studying the Soviet Union, one of them might have pointed out that the spring wheat crop was a disaster and that it was awfully hot in Moscow in the summer of 1972. But nobody did, or at least if anybody did, nobody noticed. The tendency of official Washington not to listen to information it spends millions to obtain was once summed up by the late Allen Dulles who cited CIA's early warnings on the first Russian Sputnik: "The facts," he recalled, "didn't seem to have any impact."

In any event, we are witnessing a breakthrough in trade which may make the regret of short-changed farmers a fleeting prelude to profit.

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M - 245,132

S - 407,186

U.S. can set world price

Seller's market behind

grain subsidy cutoff

BY BJ NOLES

of The Oregonian staff

"SUBSIDY, subsidy, who gets the subsidy?" is the name of the game politicians and the press have been playing since Russia's purchase of 422.5 million bushels of U.S. wheat drove the price over the astronomical \$2 mark.

Newsmen and candidates in search of a cause have taken a superficial look and proclaimed to taxpayers that they are being stuck for the large hunk of largess going to giant export companies.

Stripped of emotional rhetoric, nurtured by an election year, the facts are:

—U.S. farmers produce 50 per cent more wheat than the domestic market can absorb.

—To keep a healthy farm economy, the excess must be peddled abroad.

—Chief competitors, Australia and Canada, have governmental wheat boards that peg the price of their grain.

—The U.S. government, under Democratic and Republican administrations, has encouraged foreign sales; by paying a subsidy which kept U.S. wheat competitive to world prices.

For example, in June—the pre-Russia buying month—the U.S. price for wheat was \$1.65. The world market was \$1.62 so the government paid a three cent differential. This equalized the price and at the same time, reduced the surplus.

This subsidy ricochets off the exporter to the importer. But the purpose of the subsidy in building up to the importer apex is the farmer, the base of the triangle. If the export subsidy wasn't paid, there would be a 50 per cent surplus crop which would tumble the domestic grain market into a disaster for the farmers—and for the businessmen that feed off them.

The little understood subsidy received big play a second time this summer when U.S. Agricultural Department Secretary Earl L. Butz said there would be no more.

"See, we didn't really need a subsidy."

In reality, what happened was Cana-

da and Australia had been knocked out of the wheat export picture. The U.S. could establish the world price.

Canada's cupboard was almost bare because she had sold her stockpile to Mainland China. Australia had little carry-over and she is going into a crippled fall harvest of about 200 to 250 million bushels. Her usual crop is 400 to 450 million.

Proof that foreign buyers know where the subsidy goes was reflected in howls of anguish when the differential was erased.

Japan, the U.S.'s top agricultural buyer, has felt injured because she was not given advance warning. A party of Japanese was in Portland the first week in October enroute to Washington, D.C., to underscore this attitude.

The Japanese are short term traders on the market because of shortage of storage. They buy usually 60 days in advance of delivery. It is this practice that hurts Japan in times of crises, like a deck strike or a Russia with an empty bread basket.

For this reason, if Japan had understood that Russia would be scooping up 11 million tons instead of the anticipated 1 million, Japan could not bid against her with graineries filled.

Another area of confusion on the subsidy is its fluctuation. Usually it drifts with penny changes. The August performance is as rare as a two-headed calf.

As many facts and figures go into deciding a subsidy as grain of wheat in a bushel bag.

One daily starting point is Henry S. Sakamoto in Portland. He is manager of the Portland branch of the Kansas City Agriculture Stabilization and Conservation office, an agency of the USDA.

Sakamoto starts his day by interviewing exporters and millers about their needs. He checks sellers in the Montana warehouses. He counts grain

ships at the Port. Country warehouse supplies are reported.

Last week, he might have added that the big wheat counties of Gilliam, Umatilla, Mero and some of Wasco are having trouble seeding because of lack of moisture.

About 10:30 a.m. Sakamoto notifies the USDA's Export Marketing Service of his findings. The report is compiled with similar news from across the nation—and from big grain centers around the world. Wheat futures markets and domestic sales are analyzed.

The EMS exports evaluate the world-wide activities and their decision on the subsidy price is announced at exactly 3:31 p.m.

A similar listening network is carried on by private grain trading companies. A paper, issued by the controversial Field Foundation, praised Continental Grain Co.'s newsgathering as being so good that "members of the U.S. Central Intelligence Agency often wine and dine company's traders 'to pick their brains.'"

The subsidy for the Russian sale was not an entire drain on the taxpayer. It was saving money in another pocket.

The surplus wheat supply has been drained off, which (1) reduces government's price support program to the farmer and (2) eliminates government storage charges for carry-over grains (this can amount to \$14,500 for every 100,000 bushels of wheat).

The subsidy is, at present, a dead duck at the market place. Politically, the lack of understanding of the issue may make hay at the polls Nov. 7.



NOLES